

Message Text

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C O N F I D E N T I A L STATE 145661

EXDIS

FOLLOWING SENT ACTION SECSTATE, JULY 19, FROM NEW DELHI

RPTD TO YOU:

QUOTE

E.O. 11652: N/A

TAGS: PFOR, EAID, EFIN, ETRD, EAGR, IN

SUBJECT: MEETING WITH PRIME MINISTER GANDHI

REF: STATE 141584

1. I AM SENDING YOU BY SEPTTEL THE TEXT OF THE AIDE-MEMOIRE I GAVE MRS. GANDHI SUMMARIZING US TECHNICAL ASSISTANCE TO INDIA. I ALSO GAVE HER ONE ON THE UPCOMING RUPEE NEGOTIATIONS, THE TEXT OF WHICH FOLLOWS. TODAY I GAVE HER SECRETARY, P.N. DHAR, MEMOIRE, THIS ONE ON POSSIBLE FUTURE DEVELOPMENT ASSISTANCE, THE TEXT OF THAT ALSO FOLLOWS.

2. TEXT OF AID-MEMOIRE ON RUPEE NEGOTIATIONS GIVEN MRS. GANDHI JULY 17:

A. IN THE COURSE OF THE EARLY DECADES OF INDIAN INDEPENDENCE
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SOME OF THE ECONOMIC ASSISTANCE PROVIDED BY THE GOVERNMENT OF

THE UNITED STATES WAS PAID FOR IN RUPEES SO AS TO AVOID FOREIGN EXCHANGE LOSSES TO THE GOVERNMENT OF INDIA. THEREAFTER, THESE RUPEES PROVIDED FOR THE EXPENSES OF THE UNITED STATES MISSION IN INDIA, FOR VARIOUS JOINT UNDERTAKINGS WITH THE GOVERNMENT OF INDIA AND FOR PURPOSES SUCH AS RURAL ELECTRIFICATION.

B. A SEQUENCE OF EVENTS DURING THE 1960'S, NOTABLY TWO SUCCESSIVE YEARS OF INTENSE FOOD SHORTAGE, LED TO A VAST INCREASE IN THE SIZE OF THESE RUPEE ACCOUNTS. THE AMOUNTS GREW SO LARGE THAT US USES COULD NOT POSSIBLY KEEP PACE. EVEN AT THE MOST NOMINAL RATES OF INTEREST, THE PRESENT PROSPECT IS THAT US RUPEE HOLDINGS WILL PERSIST INDEFINITELY.

C. BOTH THE GOVERNMENT OF THE UNITED STATES AND THE GOVERNMENT OF INDIA RECOGNIZE THAT THIS IS NOT A SITUATION IN WHICH A MATURE AND FRUITFUL ECONOMIC RELATIONSHIP CAN DEVELOP. THE GOVERNMENT OF THE UNITED STATES IS ACCORDINGLY PREPARED TO FOREGO THE MAJOR PROPORTION OF ITS RUPEE HOLDINGS IN ORDER THAT THEIR USE SHOULD COME TO AN END IN A FORESEEABLE PERIOD OF YEARS. THE GOVERNMENT OF THE UNITED STATES HOPES THAT AN AGREEMENT TO THIS EFFECT MIGHT PERMANENTLY DISPOSE OF THIS QUESTION AS A CAUSE FOR CONCERN TO OUR RESPECTIVE NATIONS.

D. THE GOVERNMENT OF THE UNITED STATES PROPOSES TO RETAIN DOLS 1.5 BILLION EQUIVALENT TO BE HELD IN ACCOUNT BY THE GOVERNMENT OF INDIA AT NO INTEREST. THIS SUM WILL BE DRAWN UPON FOR THE SAME RANGE OF USES THAT HAS HERETOFORE OBTAINED UNTIL SUCH TIME AS IT IS EXHAUSTED.

E. THE GOVERNMENT OF THE UNITED STATES WILL GRANT THE REMAINING RUPEES TO THE GOVERNMENT OF INDIA FOR GENERAL USES TO BE AGREED UPON. WE WOULD WRITE OFF ALL INTEREST PAYMENTS ON THESE AMOUNTS. THE SUBSEQUENT MANAGEMENT AND DISBURSEMENT OF THESE FUNDS WILL BE SOLELY THE CONCERN OF THE GOVERNMENT OF INDIA. IT IS HOPED THAT THESE GENERAL USES MIGHT REFLECT THE NATURE OF THE AMERICAN AID PROGRAM IN INDIA, NOTABLY AGRICULTURAL DEVELOPMENT AND TECHNICAL EDUCATION.

F. THE GOVERNMENT OF THE UNITED STATES HOPES TO USE
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THE OCCASION OF THIS GENERAL NEGOTIATION TO RESOLVE CERTAIN DIFFICULTIES THAT HAVE ATTENDED THE USE OF RUPEES TO DATE, TO FURTHER ASSIST CERTAIN TRADE PROMOTION AND TO FURTHER EXPAND TRADE.

VARIOUS PL-480 AGREEMENTS PROVIDE THAT LIMITED PERCENTAGES OF REPAYMENTS TO BE MADE IN DOLLARS. THE GOVERNMENT OF THE UNITED STATES DESIRES THAT THESE PAYMENTS BE MADE. IN A FINAL

SETTLEMENT IT IS HOPED THAT THE TWO PERCENT OF PL-480 LOAN REPAYMENTS WHICH NOW MUST BE CONVERTED INTO DOLLARS FOR AGRICULTURAL MARKET DEVELOPMENT WILL BE RAISED TO FIVE PERCENT.

THE 1972 REQUEST OF DOLS 8 MILLION EQUIVALENT IN RUPEES TO SUPPORT UNITED STATES AID PROGRAMS IN NEPAL SHOULD BE GRANTED.

THE GOVERNMENT OF THE UNITED STATES WISHES TO BE ABLE TO PURCHASE INDIAN GOODS OR SERVICES TOTALING DOLS 100 MILLION OVER A FIVE YEAR PERIOD, ONE QUARTER OF THE COST OF WHICH WOULD BE PAID FOR FROM ITS RUPEE ACCOUNT, AND THE REMAINDER IN DOLLARS.

THE GOVERNMENT OF THE UNITED STATES DESIRES THAT THE VALUE OF ITS RUPEE ACCOUNT BE MAINTAINED BY STATING THE BALANCE IN DOLLARS AT A RATE NO LESS FAVORABLE TO THE DOLLAR THAN THAT WHICH EXISTS ON THE DATE OF THE PROSPECTIVE AGREEMENT.

THE GOVERNMENT OF THE UNITED STATES UNDERSTANDS THAT IN THE AFTERMATH OF AN AGREEMENT IT WILL TAKE CARE THAT ITS RUPEE EXPENDITURES DO NOT GREATLY VARY IN AMOUNT (ALLOWING FOR PRICE CHANGES) OR PURPOSES FROM ALREADY ESTABLISHED USES, BUT CORRESPONDINGLY EXPECTS THAT IT WILL BE ACCORDED THE MAXIMUM FREEDOM OF DECISION WITHIN THESE RANGES.

G. A FINAL AGREEMENT ON THE PART OF THE GOVERNMENT OF THE UNITED STATES WILL BE SUBJECT TO SATISFACTORY CONSULTATION WITH THE UNITED STATES CONGRESS, THE APPROPRIATE COMMITTEES OF WHICH HAVE BEEN INFORMED OF OUR INTENT TO NEGOTIATE ON THIS SUBJECT.

3. TEXT OF AID-MEMOIRE ON DEVELOPMENT ASSISTANCE GIVEN
P.N. DHAR JULY 19:

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A. THE DEPARTURE OF THE LAST AMERICAN TECHNICAL ASSISTANCE PERSONNEL FROM INDIA ON JUNE 30, 1973 SIGNALLED THE END OF AN ERA IN BILATERAL INDO-US ECONOMIC ASSISTANCE RELATIONS. THE PROBABLE DISPOSITION OF US RUPEE HOLDINGS IN INDIA WILL TRULY MARK THE CONCLUSION OF THAT PERIOD: AND OF MANY OF THE ASSUMPTIONS THAT FOSTERED IT.

B. THE UNITED STATES IS PREPARED TO DISCUSS WITH THE GOVERNMENT OF INDIA THE BASES FOR A NEW ECONOMIC ASSISTANCE RELATIONSHIP, BASED ON THE MUTUAL INTEREST OF BOTH PARTIES. SUCH A RELATIONSHIP WOULD CERTAINLY INVOLVE TRADE AND RELATED ECONOMIC ACTIVITIES. IT CAN ALSO INVOLVE ECONOMIC ASSISTANCE IF THE GOVERNMENT OF INDIA BELIEVES THIS WOULD BE IN ITS INTEREST.

C. THE BASIS FOR AMERICAN ECONOMIC ASSISTANCE TO THE

NATIONS OF SOUTH ASIA WAS SPELLED OUT IN THE PRESIDENT'S
FOREIGN POLICY REPORT OF 1973.

"THE UNITED STATES WILL CONTRIBUTE, WHERE ASKED AND WHERE POSSIBLE,
TO MEETING HUMAN NEEDS AND TO THE PROCESS OF DEVELOPMENT.
WE DO THIS OUT OF THE TRADITIONAL HUMANITARIAN CONCERN OF THE
AMERICAN PEOPLE, AND OUT OF A COMMON INTEREST IN SUPPORTING
THE EFFECTIVENESS AND STABILITY OF INSTITUTIONS. WHERE OUR
ECONOMIC ASSISTANCE DOES NOT SERVE MUTUAL INTERESTS, IT SHOULD
NOT BE PROVIDED. WHERE IT DOES, WAYS MUST BE FOUND TO ASSURE
THAT THE FORM OF AID IS CONSISTENT WITH THE DIGNITY OF BOTH THE
DONOR AND THE RECIPIENT. THE DONOR MUST NOT EXPECT SPECIAL IN-
FLUENCE IN RETURN; THE RECIPIENT MUST ACKNOWLEDGE A MUTUALITY
OF INTEREST, FOR ONLY IN A RELATIONSHIP OF ACKNOWLEDGED COMMON
PURPOSE ARE ASSISTANCE PROGRAMS SUSTAINABLE."

D. THE UNITED STATES ACKNOWLEDGES INDIA'S SOLE RESPONSIBILITY
FOR DETERMINING ITS OWN INTERESTS AND FOR SETTING ITS OWN
PRIORITIES IN DEVELOPING THE ECONOMY AND MEETING HUMAN NEEDS.
ANY NEW ASSISTANCE RELATIONSHIP MUST TAKE THAT INDISPUTABLE
RESPONSIBILITY AS A PREMISE, AND MUST THEREFORE BE FOUNDED ON
AN ACKNOWLEDGMENT BY THE GOVERNMENT OF INDIA THAT SUCH A RELATION-
SHIP IS CONSISTENT WITH ITS INTERESTS AND ITS PRIORITIES.

E. THE UNITED STATES RECOGNIZES THE STATED INTENTION OF THE
GOVERNMENT OF INDIA TO REACH A "ZERO NET AID" LEVEL BY THE END
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OF THE FIFTH FIVE YEAR PLAN. IN THAT CONTEXT, AND GUIDED BY THE
PRINCIPLES SET FORTH BY THE PRESIDENT, THE UNITED STATES IS
PREPARED TO DISCUSS ECONOMIC ASSISTANCE WITH THE GOVERNMENT OF
INDIA SHOULD THE GOVERNMENT OF INDIA SO DESIRE.

F. IN MY CONVERSATION WITH THE PRIME MINISTER
ON JULY 17 1973
SHE INDICATED
HER DESIRE THAT SEPARATE DISCUSSIONS WOULD NOW
BEGIN ON THESE SEVERAL QUESTIONS. WITH THE RUPEE DISCUSSIONS, THIS
WILL MAKE, IN ALL, THREE SETS OF DISCUSSIONS WHICH WE
WILL HOPE MIGHT COMMENCE AT THE EARLY CONVENIENT OF THE GOVERNMENT
OF INDIA. AN AIDE MEMOIRE ON RUPEES WAS SUBMITTED
BY THE GOVERNMENT
OF INDIA ON THE OCCASION OF MY MEETING WITH THE PRIME MINISTER.
AN AIDE MEMOIRE ON TRADE AND ECONOMIC RELATIONS WILL BE SUBMITTED
IN THE VERY NEAR FUTURE.
MOYNIHAN

UNQUOTE. ROGERS

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